

# THE MINERAL INDUSTRY OF KUWAIT

By Philip M. Mobbs

Kuwait's economy revolved around the production and refining of crude oil. Of the world's leading crude oil producers, Kuwait ranked 12th (BP p.l.c., 2004§<sup>1</sup>). In 2003, the petroleum and natural gas sector contributed about 51% of the gross domestic product (GDP) at current prices and accounted for about 88% of Government revenue (Central Bank of Kuwait, 2004§, tables 26, 48). The GDP at constant prices increased 10.1% in 2003 compared with a 0.4% drop in 2002. Based on purchasing power parity valuation, the GDP in 2003 was estimated to be \$34.93 billion (International Monetary Fund, 2004§).

In 2003, Amiri decree No. 153 established the Ministry of Energy and transferred to it the functions and staff of the Ministry of Oil and the Ministry of Electricity and Water.

## Trade

Kuwait was a member of the Arabian Gulf Cooperation Council, the Organization of Arab Petroleum Exporting Countries, and the Organization of the Petroleum Exporting Countries (OPEC). In 2003, total exports (free on board) were valued at \$20.8 billion<sup>2</sup>, of which oil exports accounted for about \$19.1 billion and manufactured fertilizer exports accounted for \$123.6 million. In 2002, total exports were valued at \$15.4 billion, of which oil exports accounted for about \$14.1 billion and manufactured fertilizer exports accounted for \$51.1 million. Total imports (cost, insurance, and freight paid to point of destination) in 2003 were estimated to be \$10.8 billion compared with \$9.0 billion in 2002 (Central Bank of Kuwait, 2004§, tables A, 26, and 40).

A majority of exports and imports were transported by sea. In 2003, however, seaborne transport through the Persian Gulf to Kuwait was disrupted by the military action in Iraq that began on March 19. By the end of March, insurance premiums on ships docking in Kuwait had increased by 300%. For non-oil shipments, this was equivalent to an increase of about \$100 to \$150 per shipping container (Cundy, 2003; Middle East North Africa—Financial Network, 2003§).

In 2003, the Government signed a memorandum of understanding (MOU) with Iran to import natural gas and water from Iran. The Iranian gas imports would supplement proposed imports of natural gas from Qatar.

## Commodity Review

Proposed mineral-related construction in Kuwait included Al-Fada Trading and Contracting Co.'s \$398-million carbon anode plant, which would be operated by Gulf Carbon Industries Co., and General Trading and Contracting Co.'s \$27-million high-carbon ferrochrome plant, which would be operated by Kuwait Ferrochrome Co. (Middle East Economic Digest, 2003a; Ministry of Finance, 2003).

## Industrial Minerals

**Nitrogen (Fertilizer).**—In March, Petrochemical Industries Co. suspended production at its ammonia and urea plants because of the war in Iraq. Production resumed on April 3 and shipments resumed in mid-April. The company renovated ammonia line 2 and, in May, converted the prilled urea production unit to a granular urea unit, which increased the granular urea production capacity to 1,750 metric tons per day (t/d) from about 1,100 t/d (KPC World, 2003, p. 21).

## Mineral Fuels

**Natural Gas.**—The Kuwait Government planned to substitute cleaner-burning natural gas for the fuel oil that fired the country's powerplants. Domestic Kuwaiti natural gas production, however, was associated with crude oil production that was subject to OPEC production quotas and not power demand. In January, the Government signed an MOU to import between 8 to 10 billion cubic meters per year of natural gas from Iran. Imports were scheduled to begin in 2005, the same year that 8 to 15 billion cubic meters per year of natural gas was projected to begin to be imported from Qatar (Petroleum Economist, 2003).

**Oil.**—In December 2002, the OPEC crude oil production ceiling allocation for Kuwait was 1.741 million barrels per day (Mbbbl/d). The quota increased to 1.846 Mbbbl/d in January 2003, to 1.966 Mbbbl/d in February, and to 2.038 Mbbbl/d in June, before falling back to 1.966 Mbbbl/d in November (Organization of the Petroleum Exporting Countries, 2004, p. xiii).

Project Kuwait, the proposed \$7 billion expansion of production of five oilfields in northern Kuwait to about 900,000 barrels per day (bbl/d) from 450,000 bbl/d by foreign oil companies, continued to be discussed in Parliament. Because the Kuwaiti constitution prohibited foreign ownership of Kuwaiti mineral resources, the proposed Project Kuwait development was to be performed by

<sup>1</sup> References that include a section mark (§) are found in the Internet References Cited section.

<sup>2</sup> Where necessary, values have been converted from Kuwaiti dinars (KD) to U.S. dollars (US\$) at the rate of KD0.297=US\$1.00 for 2003 and KD0.304=US\$1.00 for 2002.

international oil companies under service contracts that would pay the foreign companies a per-barrel fee and other fees, which would allow ownership of the oil resources to remain under Government control (Oster, 2003§).

In late 2003, a meeting between the Kuwait and Saudi Arabia oil ministries was held on the development of the offshore Dorra Gasfield. Portions of the field are located in Iran, Kuwait, and Saudi Arabia. Development had been on hold for 4 decades because of a maritime border dispute between Iran and Kuwait. Iran objected to development of the field, which had estimated recoverable reserves of 200 billion cubic meters, until the border was demarcated (Rigzone.com, 2003§).

In mid-March, Kuwait National Petroleum Co. (KNPC) ceased production at the 460,000 bbl/d-capacity Mina al-Ahmadi, 270,000 bbl/d-capacity Mina Abdulla, and 200,000 bbl/d-capacity Shuaiba refineries because of the threat from stray Iraqi missiles. The refineries reopened a few days later. In October, KNPC proposed to build a second refinery at Shuaiba by 2006. The new \$800 million to \$1.2 billion refinery would have a production capacity of 350,000 bbl/d. By 2008, KNPC also planned to rehabilitate the existing three refineries and to increase their total production capacity to 1 Mbbbl/d at a cost of \$3 billion (Middle East Economic Digest, 2003b; World Refining, 2003; Ministry of Oil, 2003§; AME Info, 2003§).

## References Cited

- Cundy, Christopher, 2003, Scrap suppliers feel impact from Iraqi war: Metal Bulletin, no. 8763, April 7, p. 12.  
KPC World, 2003, PIC—Competitive rivalry in regional, global spheres: KPC World, no. 25, July-October, 35 p.  
Middle East Economic Digest, 2003a, Plans gather pace for carbon anode project: Middle East Economic Digest, v. 47, no. 42, October 17, p. 20.  
Middle East Economic Digest, 2003b, Revitalisation and rewards: Middle East Economic Digest, v. 47, no. 41, October 10, p. 36-37.  
Organization of the Petroleum Exporting Countries, 2004, Annual Statistical Bulletin: Vienna, Austria, Organization of the Petroleum Exporting Countries, 130 p.  
Petroleum Economist, 2003, News in brief—Kuwait: Petroleum Economist, v. 70, no. 3, March, p. 45.  
World Refining, 2003, Kuwait considers fourth refinery: World Refining, v. 13, no. 8, October, p. 26.

## Internet References Cited

- AME Info, 2003 (March 5), Kuwait sets USD3bn refinery upgrade, accessed March 6, 2003, at URL <http://www.zawya.com/Story.cfm?id=06437020&Section-Industries&page=Oil%20%26%20Gas&channel>.  
BP p.l.c., 2004 (June 15), Statistical review of world energy 2004, accessed June 20, 2004, via URL <http://www.bp.com/sectiongenericarticle.do?categoryId=2012411&contentId=2018340>.  
Central Bank of Kuwait, 2004, Quarterly statistical bulletin—April-June, accessed October 6, 2004, at URL <http://www.cbk.gov.kw/WWW/index.html>.  
International Monetary Fund, 2004 (September), World economic outlook database, accessed September 29, 2004, at URL <http://www.imf.org/external/pubs/ft/weo/2004/02/data/index.htm>.  
Middle East North Africa—Financial Network, 2003 (March 30), Shipping insurance premiums in Gulf soar, accessed March 31, 2003, at URL [http://www.menafn.com/qn\\_print.asp?StoryID=16693&subl=true](http://www.menafn.com/qn_print.asp?StoryID=16693&subl=true).  
Ministry of Finance, 2003 (November 11), High carbon ferro chrome, accessed November 20, 2003, at URL <http://www.mof.gov.kw/offset/opt/carbon.html>.  
Ministry of Oil, 2003 (March 23), Talal Al Khaled—Resumption of works at a number of KNPC refineries units and gradual increase of production, accessed November 21, 2003, at URL <http://www.moo.gov.kw/news.asp?NID=52>.  
Rigzone.com, 2003 (October 27), Iran opposed to Kuwait developing disputed offshore field, accessed October 28, 2003, at URL [http://www.rigzone.com/news/article.asp?a\\_id=9094](http://www.rigzone.com/news/article.asp?a_id=9094).  
Oster, Shai, 2003 (November 4), Kuwait oil co hopes to tender oil project by end '04, accessed November 20, 2003, at URL <http://216.239.37.104/search?q=catche:bAIH1rOtOiAJ:biz.yahoo.com/djus/031104>.

## Major Source of Information

Ministry of Energy  
P.O. Box 5077  
Safat 13051  
Kuwait  
Telephone: +(965) 241-5201  
Fax: +(965) 241-7088

TABLE 1  
KUWAIT: PRODUCTION OF MINERAL COMMODITIES<sup>1</sup>

(Metric tons unless otherwise specified)

Commodity <sup>2</sup>	1999	2000	2001	2002 <sup>c</sup>	2003 <sup>c</sup>
Cement	1,435,000	1,187,000 <sup>r</sup>	920,700 <sup>r</sup>	1,584,000 <sup>r</sup>	1,600,000
Lime, hydrated and quicklime <sup>c</sup>	40,000	40,000	40,000	40,000	40,000
Natural gas: <sup>c,3</sup>					
Gross                                      million cubic meters	10,144 <sup>4</sup>	11,000	10,900	9,900	10,000
Dry    do.	8,688 <sup>4</sup>	9,600	9,500	8,700	8,800
Natural gas liquids <sup>c</sup> thousand 42-gallon barrels	38,000	41,100	44,300	40,000	40,000
Nitrogen:					
N content of ammonia	396,800	409,500	400,000	414,400 <sup>r,4</sup>	444,400 <sup>4</sup>
N content of urea	330,900	287,600	290,000	320,000	330,000
Petroleum:					
Crude <sup>3</sup> thousand 42-gallon barrels	708,000	766,000	745,000	680,000	817,000
Refinery products: <sup>c</sup>					
Liquefied petroleum gases                                      do.	3,228 <sup>4</sup>	2,997 <sup>4</sup>	3,000	3,000	3,000
Gasoline, motor                                      do.	16,784 <sup>r,4</sup>	11,757 <sup>r,4</sup>	10,000	15,000 <sup>r</sup>	15,000
Kerosene                                      do.	57,012 <sup>r,4</sup>	45,049 <sup>r,4</sup>	30,000	40,000 <sup>r</sup>	40,000
Distillate fuel oil                                      do.	97,142 <sup>r,4</sup>	83,981 <sup>r,4</sup>	70,000	80,000 <sup>r</sup>	80,000
Residual fuel oil                                      do.	73,598 <sup>r,4</sup>	57,116 <sup>r,4</sup>	60,000	70,000 <sup>r</sup>	70,000
Other                                      do.	82,996 <sup>r,4</sup>	71,769 <sup>r,4</sup>	70,000	80,000 <sup>r</sup>	80,000
Total                                      do.	327,532 <sup>r,4</sup>	269,672 <sup>r,4</sup>	240,000	285,000 <sup>r</sup>	285,000
Salt <sup>c</sup>	100,000	100,000	100,000	100,000	100,000
Sulfur: <sup>c</sup>					
Elemental, petroleum byproduct	639,000	512,000	524,000	634,000	714,000
Sulfuric acid	10,000	100,000	150,000	150,000	150,000

<sup>c</sup>Estimated; estimated data are rounded to no more than three significant digits and may not add to totals shown. <sup>r</sup>Revised.

<sup>1</sup>Table includes data available through September 2004.

<sup>2</sup>In addition to commodities listed, caustic soda, chlorine, clays, clay products, and sand and gravel were produced, but available information is inadequate to make estimates of output.

<sup>3</sup>Includes Kuwait's share of production from the Partitioned Neutral Zone.

<sup>4</sup>Reported figure.